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Call Operator: _____
Moderator: Bob Burton
Guests: Mark Johnson and Cacy Rossi

Audio Transcript

Bob Burton:
Our first presenter, Mark Johnson, who represents Anthem Blue Cross. Mark, welcome.

Mark Johnson:
Anthem Blue Cross is looking forward to our 14th year as the Medical Benefits Administrator for 350,000 CalPERS Preferred Provider Organization PPO plan members in 2012.

Well let's review the three PPO plan options:

PERS Care offers the highest level of coverage of the three CalPERS PPO plans. But the plan premium rates are substantially higher because of declining membership and older age and much higher utilization of benefits.

PERS Choice is the flagship PPO plan having about 90% of CalPERS as PPO enrollment. Like PERS Care, PERS Choice offers the full Anthem Blue Cross PPO network access of over 55,000 participating physicians and over 375 hospitals within California.

One of the big advantages of the CalPERS Health Benefits Program is the ability to offer employees and under age 65 retirees with comprehensive PPO plan coverage at a very competitive premium cost. PERS Choice compares very favorably in benefit coverage and premium costs with PPO plans offered throughout the national public and private sectors.

Typically, when an employer has a small percentage of active employees and under age 65 retirees enrolled within their PPO plan option, premium rates for the PPO coverage are higher often much higher than the offered HMO plans. This typically creates a negative underwriting risk factor called Adverse Selection. PERS Choice in the lower priced PERS select plans offer agencies very competitive PPO premiums regardless of their PPO enrollment penetration.

In 2012 PERS Select will continue to offer a very compelling value proposition for CalPERS members. PERS Select offers the availability of the same benefit coverage as PERS Choice, but with 2012 premiums that will be 15% less than

PERS Choice. These lower premiums are achieved by having the PERS Select benefit design direct members to lower costs Anthem Blue Cross contracted physicians and hospitals. PERS Select will continue in 2012 as the overall lowest price medical plan offered within the CalPERS Health Benefits Program. PERS Select is offered throughout California, excluding the three counties of Alameda, Placer and Solano.

The key similarities between the PPO plans are: They all share a $500 calendar year deductible per member and $1,000 per family, they share a $20 office visit copay, and that applies to specialists as well as primary care physicians. They share a 100% routine preventive coverage, they share a $50 emergency room deductible, and they all now have unlimited lifetime maximum coverage.

Now the key differences between these three PPO plans, there is 90% coverage on PERS Care and 80% coverage on PERS Choice and PERS Select after the $500 deductible has been met. There is a $2,000 PPO maximum out-of-pocket coinsurance obligation with PERS Care, $3,000 PPO maximum out-of-pocket coinsurance obligation with PERS Choice and PERS Select.

How do PPO Plans Work? Services that do not apply to the $500 calendar year deductible include: office visits, routine preventive visits and prescriptions. For other services your deductible does apply. After the deductible is met the percentage based benefit either 90% or 80% will begin. The coinsurance 10% or 20% will apply toward the calendar year maximum out-of-pocket; either $2,000 on PERS Care or $3,000 PERS Choice and PERS Select. Services for non-participating providers are reimbursed at 60%. The 40% coinsurance does not apply toward the maximum out-of-pocket.

Here are examples of how copays and the annual deductible are applied under PERS Choice coverage:

On January 10th a PERS Choice member schedules an office visit with a dermatologist to have a mole checked out. No referral or authorization was required. The member's cost is a $20 office visit copay. During this visit the dermatologist recommends that the mole should be removed and the member returns to the dermatologist one week later on January 17th. The member, again, is responsible for a $20 office visit copay. The mole removal is a surgical procedure with a negotiated charge of $300. The member is responsible for this $300 and this amount is credited toward their annual $500 deductible. A sample of the mole is sent to a pathology lab for review. The negotiated charge is $200. The member is responsible for this $200, and this amount is credited toward their annual $500 deductible. At this point, the member has satisfied their annual $500 deductible.

On April 3rd this member receives an examination from an orthopedic surgeon for an injured knee. The member is responsible for a $20 office visit copay. As a

result of this examination the orthopedic surgeon orders an MRI scan. The total negotiated charge is $800. Now that the member has already met their annual deductible, the plan transitions to 80/20 coverage. Of this $800 charge the member is responsible for $160, which is their 20% copay. And the plan pays $640, or 80%. The MRI scan determines a cartilage tear within the injured knee and the member is scheduled for outpatient arthroscopic knee surgery on April 10th. The physician's negotiated charge is $1,500. The member is responsible for 20%, or $300, and the plan pays the balance at 80%, or $1,200. Additionally, the ambulatory surgical center facility charge is $2,500. The member is responsible for $500, or 20%, and the plan pays the balance of $2,000, or 80%.

On May 30th this member receives an emergency triple bypass heart surgery with a total negotiated amount for the related professional hospital charges of $60,000. The member is responsible for 20% of this total amount up until their total 20% copay reaches $3,000 in a calendar year. As this member has already paid $960 within this calendar year for their 20% copay responsibility, the member is only responsible for $2,040 of the $60,000 total charges. The plan pays the balance of $57,960.

Finally, in December this member receives a full annual physical, which is covered at 100%. Had this member had any other in network services before the physical, he or she would have paid only an office copay and no further charges since the calendar year out-of-pocket maximum had been met.

The following information summarizes 2012 medical benefit changes. First, we are continuing the NERO Hospital Network introduced to PERS Select in 2011, which includes such renowned hospitals as UC SF, UC Davis, Huntington Memorial in Pasadena, and St. John's in Santa Monica within the Tear One Network.

In 2011 the CalPERS PPO plans introduced our Value Based Purchasing Design Program. This program was designed to address the wide variations in hospital costs for equivalent medical services. Multiple studies have indicated that cost doesn't correlate directly to the quality of care. We launched this program in 2011 for hip and knee joint replacement surgery. These are two highly utilized and costly surgical procedures where a large hospital cost variations were common. For example, we had one contracted Bay Area hospital that routinely charged over $100,000 for a routine hip or knee joint replacement procedure. And, yet, in the same Bay Area two world famous hospitals would charge less than $30,000. Effective in 2012 we are expanding the value based program to include three common outpatient procedures: cataract, colonoscopy, and arthroscopy.

As far as the Value Based Site of Care Program we know that there were wide geographic and treatment cost variations for elected outpatient procedures. And we know that outpatient hospital settings are more costly, often times two and a

half to three times more costly, than ambulatory service centers. No benefit change will be available when a participating ambulatory surgical center is used.

This Value Based Site of Care Program establishes a payment threshold for targeted elective procedures when the service is received at an outpatient hospital.

Effective January 1, 2012, the following Value Based Site of Care thresholds will apply: Colonoscopy, $1,500 threshold; Cataract surgery, $2,000 threshold; Arthroscopy, $6,000 threshold.

PERS Care, PERS Choice and PERS Select are offered to age 65 plus retirees on supplement to Medicare arrangement where using a preferred provider network is not applicable. Under these plans a supplement to Medicare plan covers Medicare Part A and Part D deductibles and the balance of any medical coinsurance obligations. There are no medical copayment obligations like basic plan coverage and members receive the same prescription drug coverage offered on the basic plans. The key with supplement to Medicare coverage is receiving medical care from providers who participate in Medicare.

When a medical provider participates in Medicare and accepts Medicare assignment, the member pays nothing, as noted in this first example: The provider accepts Medicare's allowed amount as payment in full. When a provider participates in Medicare, but does not accept Medicare assignment, the total amount the member may pay is what the provider bills minus what Medicare pays and the supplement to Medicare plan pays as noted in this second example.

In most cases the provider will accept what Medicare allows in the Medicare limiting amount, which is capped at 15% as payment in full. But the provider may balance bill the member.

Finally, when the member receives services from a provider that does not participate in Medicare and does not accept Medicare assignment, the total amount the member pays will be what the provider bills, as noticed in this third example.

Locating a participating Anthem Blue Cross provider for basic plan coverage is easy through our provider finder link easily accessible through our CalPERS Micro-Site, "anthem.com/ca/calpers". The "find a doctor" link on the home page takes you directly to the appropriate provider finder link sequence. There is a separate provider finder link for PERS Select.

The PPO plans offer a comprehensive array of disease management programs, our Future Mom's Pregnancy Program, 24/7 Nurse Line services, on-line

services such as Web-MD, My Anthem, and Healthy Living, and special discount programs available through our CalPERS micro-site.

For CalPERS members interested in enrolling with PPO coverage a fundamental question to ask is: Am I willing to share in plan expenses more than I would with HMO coverage to have unrestricted ability to self-direct my healthcare and receive coverage services from the elite medical professionals and hospitals around the country without the need of a referral or authorization?

Anthem Blue Cross has been pleased to provide this information on PERS Care, PERS Choice and PERS Select. We can assist existing and interested CalPERS PPO members at our dedicated CalPERS Customer Service Unit at 877-737-7776, or through our CalPERS micro-site.

Thank you, from Anthem Blue Cross.

Bob Burton:
And, thank you, Mark.

This brings us to Polling Question Number Two. In our self-funded PPO plans the Value Based Site Of Care concept was developed to address a wide variation in treatment costs of elective outpatient hospital procedures. Beginning in 2012 a payment threshold has been established for three common elective procedures when service is received as an outpatient in a hospital. What type of facility has been suggested as the PPO's high quality cost effective alternative to the hospital for the colonoscopy, cataract surgery and arthroscopic procedures: An urgent care center, ambulatory surgical center, emergency room, or none of the above? The answer is ambulatory surgical center.

Now to our second presenter, Cacy Rossi. She represents CVS Caremark. Cacy?

Cacy Rossi:
Hello everyone. And, welcome to the webinar for the 2012 benefit year introduction to pharmacy benefits. CalPERS and CVS Caremark has partnered to help provide a benefit for you that both improves health and focuses on prescription savings. We have an exciting presentation for you today that will tell you who CVS Caremark is and what will be changing for 2012 with a focus on your prescription plan and copays.

We will review how to fill a prescription at a retail pharmacy, the CVS Caremark mail service pharmacy, or with the CVS Caremark specialty pharmacy. We will also talk about when to call customer care and the web resources available to you both in 2011 and once you're effective under the CVS Caremark plan on January 1, 2012.

Let's start by telling you who CVS Caremark is. CVS Caremark is the largest pharmacy healthcare provider in the US and one of the country's largest Pharmacy Benefit Managers, also known as a PBM. We provide broad access with a network of approximately 64,000 pharmacies. In our network we have chain pharmacies, over 20,000 independent community pharmacies, and more than 7,000 CVS pharmacies.

CVS Caremark is the number one provider of prescriptions with more than one billion prescriptions managed or filled by CVS Caremark every year. We're also the largest employer of pharmacists and nurse practitioners. So, with our size and great access that means we can help you take care of your health, which is important to both CVS Caremark and CalPERS.

Effective January 1, 2012, CVS Caremark will be your Pharmacy Benefit Manager for the PPO health plans PERS Select, Choice and Care. This will replace Medco as the company managing the pharmacy portion of your benefit. Before January 1st you will receive new member ID cards. These ID cards are combination cards that have both Anthem and CVS Caremark information on them. Please discard your old benefit ID card and begin using your new one for any prescriptions you get filled after January 1st. Be sure to show your new card to the local retail pharmacist when you fill a prescription. If you don't receive your new ID card by January 1st, you should contact Anthem Customer Service.

In 2012 your generic copays will remain the same at $5.00 for a 30-day supply and $10.00 for a 90-day supply. The brand copays will change to $20.00 for up to a 30-day supply of a preferred brand, or $50.00 for a non- preferred brand. If you fill a prescription for up to a 90-day supply at either CVS Caremark mail service or at a local CVS pharmacy, your new preferred brand copay will be $40.00 and non-preferred brand copay will be a $100. Typically, you use a retail pharmacy for your short term or acute medication needs such as antibiotics. If you do receive 30-day's worth of a long-term or maintenance medication at a retail network pharmacy, you can do this up to two fills at the regular copay. However, if you choose to fill a 30-day supply of that maintenance medication at a retail network pharmacy a third time, you'll be charged the mail service copay. So it's a better value and more convenient to fill your long term or maintenance medication through either our mail service pharmacy or a CVS retail pharmacy.

As I mentioned in the previous slide, you'll be able to fill a 90-day prescription at a CVS retail pharmacy and pay the same co-pay you would if you used our mail pharmacy. This is a new benefit offer by CalPERS for 2012 called Maintenance Choice. This will give you the choice of where to get your maintenance medications filled. This new option is for members who have access to a CVS pharmacy. You don't need to do anything special to use Maintenance Choice. Just take your 90-day prescription to a CVS retail pharmacy and they'll do the rest. However, you can use mail service if you prefer to have medications delivered conveniently to your mailbox. As of January 1st, if you use the mail

service pharmacy, you can sign up for auto refill on “caremark.com/calpers” to have your medications automatically sent to you when it’s time for a refill. At both of these locations you can get up to a 90-day supply for your maintenance copay. Remember, if you fill the third refill of a 30-day supply of a maintenance medication at a network pharmacy, you’ll pay the higher maintenance copay.

There are several ways you can get a prescription filled. The first is at a participating retail pharmacy. A retail pharmacy is great for getting short term prescriptions filled for up to a 30-day supply. This is good for treating acute conditions like infections, cold and flu or cough. You also have the option of using mail order for medications that you will use long term. Long term prescriptions are usually filled for maintenance medications. These are medications that you’ll need to take ongoing and are often used to treat chronic conditions such as high blood pressure, diabetes and asthma. With the new maintenance choice benefit CalPERS is offering for 2012, you have the choice of where to obtain your maintenance medication. Mail service for up to a 90-day supply will now be through the CVS Caremark mail service pharmacy. If you were previously using Medco’s mail service and you had at least one open refill, we’ll transfer that medication over to the CVS Caremark mail service pharmacy.

There are only a few exceptions that cannot be transferred. These are medications that are expired, those without at least one refill, compounded medications and controlled substances. If you’re taking a type of medication that cannot be transferred to CVS Caremark you have two options to obtain up to a 90-day supply after January 1st. The first option is to obtain a new 90-day prescription from your doctor with refills, if clinically appropriate, and send that to the CVS Caremark mail service pharmacy with a mail service order form. The second option is a fast and easy way to get your prescription. It’s called our Fast Start Program. You can call Fast Start with your prescription and doctor’s information and we’ll contact the doctor on your behalf to obtain up to a 90-day prescription. In most instances the doctor will authorize a prescription with refills, or a onetime prescription. If you haven’t seen your doctor and it’s time for a checkup, the doctor may ask you to have an office call before they’ll give a new prescription. You can find out more about Fast Start, or to get a mail service order form by going to “caremark.com/calpers” or by calling CVS Caremark Customer Care starting October 1st.

There are some medications that require prior authorization for safety reasons. If the medication you’re taking requires prior authorization and your doctor completed this with Medco in the last 12 months, Medco will transfer approved prior authorizations to CVS Caremark. Please keep in mind that medications on the prior authorization list must be reauthorized at regular intervals by your doctor. You can obtain a list of medications that require prior authorization, or have quantity limits after October 1st by visiting “caremark.com/calpers” or by contacting CVS Caremark Customer Care.

We have our own CVS Caremark owned specialty pharmacy. Specialty medications are complex medications and are often injectables. Specialty medications treat conditions like cancer, rheumatoid arthritis and hemophilia among others. CVS Caremark provides special support to those members taking specialty medications, including 24 hour access to pharmacy services, as well as ongoing support and counseling. If you're currently using Medco's specialty pharmacy called Accredo for your specialty medications, we will receive information from Accredo and we'll proactively reach out to you in December to help with that transition. If you don't receive information from CVS Caremark by December 15th and you're currently using Accredo for specialty pharmacy services, please contact CVS Caremark Customer Care for more information on how to transfer your prescription and the services available to you. In 2012 you can get up to a 30-day supply of a specialty medication.

A benefit change for 2012 will be the medications that are dispensed as a brand when a generic equivalent is available. This is called the "Member Pays the Difference" program. To encourage use of generic medications you'll get the lowest copay when you take a generic medication when it's available. If you choose a brand medication when a generic equivalent is available, you'll pay the generic copay plus the difference in cost between the brand and the generic. Let's go through an example where a generic medication costs $35.00 and a brand name medication with a generic equivalent costs $200.00. If you get the generic medication, your copay will be $5.00 for a 30-day supply. If you get the brand name medication that has a generic equivalent, you'll pay the $5.00 generic copay plus $165.00, which is the $200.00 cost of the brand minus the $35.00 cost of the generic medicine. This will result in an out-of-pocket cost to you of $170.00. $170.00 is your $5.00 generic copay plus the cost difference of the brand medication and the generic equivalent. Every medication will have a varying cost and this is just an example. You can get the actual cost difference for your medication by using the Check Drug Cost feature on "caremark.com/calpers", or by calling Customer Care after October 1st.

Remember, you don't have to get a brand name medication just because the prescription has "dispense as written" on it. It's your choice to get the prescription filled with either the brand or a generic equivalent.

If your doctor says you have to take the brand medication when a generic equivalent is available because of medical necessity reasons, then a member-pays-the-difference exception can be requested. Your prescribing physician will be required to provide a well documented and established medical reason for a brand name drug to be prescribed when there's a generic equivalent.

If the "member-pays-the-difference" exception is approved, you'll pay the applicable brand copay. The member-pays-the-difference amounts do not apply to the out-of-pocket maximum, and you can find out if your medication has a generic equivalent by visiting "caremark.com/calpers" to use the Check Drug

Cost feature, or you can call Customer Care and they'll be glad to look it up for you.

CVS Caremark has J. D. Powers award-winning customer care. We strive to be best in class. It's our goal to ensure that every experience with us is the best it can be. Our customer care representatives know the CalPERS Prescription Plan and are here to help. Starting October 1st you can call Customer Care 24 hours a day, seven days week, and we'll be here to serve you. Customer Care will be very helpful with questions you may have like: Is my pharmacy participating? Is my medication preferred? What will my copay be in 2012 for the drug I'm taking? Or, does my medication have a generic equivalent? Customer Care is a great resource in addition to the web-based tools.

If you like to use web-based tools, you'll be in for a treat. Starting October 1st you can go to "caremark.com/calpers" for more comprehensive tools to help with your pharmacy benefit. You can use this as a tool even before you're effective on January 1st. You'll be able to check the local participating pharmacies in your neighborhood, see what your copays are, check drug costs, verify if the medication has a generic equivalent available, and much more.

Starting on your effective date of January 1st of 2012, you can register on "caremark.com/calpers". This will give you even more access to personalized information, like ongoing prescription history, online refills, auto refill, the drug information database and the check drug cost tool. After January 1st your personalized site is also available in Spanish. We have mobile web functionality for Smartphones and iPhones. As you can see here, you can use your Smartphone either through your web browser or a special CVS Caremark app you can download. Many of the same convenient features you can access on your computer can be accessed through your Smartphone.

Thank you for your time today, and we look forward to having you as a member of CVS Caremark.

Bob Burton:
Thank you, Cacy. Thank you very much.

Please prepare now to answer Polling Question Number Three. Beginning in 2012 CVS Caremark is the new Pharmacy Benefit Manager for the CalPERS Self-Funded PPO Plans. What new option will subscribers have for maintenance medication that was not previously available to PPO members?

A) Once a member's been on a maintenance medication for a year they have unlimited refills and do not require an updated prescription from their physician.
Or,

B) A member has the option to receive a 90-day supply of maintenance medication at the CVS retail pharmacy for the same cost as mail order.

The answer is B.

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